

## Message Text

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ACTION EA-14

INFO OCT-01 AID-20 EB-11 FSI-01 PM-07 INR-10 IO-14 L-03

NSAE-00 NSC-10 PA-04 RSC-01 DRC-01 DPW-01 PRS-01

OMB-01 SS-20 ISO-00 SSO-00 NSCE-00 INRE-00 /120 W

----- 116390

O R 161101Z JAN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 829

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMCONSUL NHA TRANG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

UMJNO/AMEMBASSY PHNOM PENH 5353

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIAN

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

CINCPAC

CINCPACAF

CONFIDENTIAL

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CO 7 PSYOPS GP

CINCPACFLT

CINCUSARPAC

DEPCHIEF JUSMAAG UDORN

AMEMBASSY TEHRAN  
USDAO/SAIGON

C O N F I D E N T I A L SECTION 1 OF 3 SAIGON 683

EO 11652: GDS  
TAGS: PINT PFOR ECON VS  
SUBJ: EMBASSY SAIGON'S MISSION WEEKLY JANUARY 10-16 1974

BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;  
DOD PRO USAJFKCMA ATTN: ATCS-WL-DSA

BECAUSE OF THE FOUR-DAY TET HOLIDAY NEXT WEEK, THE EMBASSY  
WILL FILE THE NEXT WEEKLY TUESDAY, JANUARY 22 INSTEAD OF WEDNESDAY,  
JANUARY 23.

THE WEEK IN REVIEW

--CEASEFIRE OVERVIEW

--CONSTITUTIONAL AMENDMENTS INTRODUCED IN NATIONAL ASSEMBLY

--PRESIDENT THIEU BEGINS ROUND OF TET VISITS TO THE FIELD

--AN QUANG: DISSENSION CONTINUES

--CVT PRESIDENT BUU CNACELS FOREIGN TOUR

--SPECIAL SECURITY, AUSTERITY MEASURES FOR TET

--NO PROGRESS IN PARIS BILATERALS MEETING

--THIEU RECEIVES CONGRESSMAN CRANE

--FOREIGN MINISTER BAC RETURNS

--MORE AUSTRALIAN ECONOMIC AID  
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--HANOI BLASTS TANAKA TRIP

--DRV-MALTA ESTABLISH RELATIONS

--SWEDISH, CHINESE DELEGATIONS VISIT QUANG TRI

--COMMUNISTS CONDEMN SCHLESINGER REMARKS

--IMF RECOMMENDATIONS

--PRICES

--BLACK MARKET CURRENCY AND GOLD PRICES

--DOMESTIC TAX RECEIPTS

I. INTERNAL

A. CEASEFIRE

MR-1 SHOWED A MARKED DECLINE IN CEASEFIRE VIOLATIONS THIS WEEK. THERE WAS AN AVERAGE OF FOUR INCIDENTS DAILY, THE LOWEST NUMBER SINCE THE JANUARY CEASEFIRE. NORTH OF THE HAI VAN PASS CONTACTS AND FIRING BY BOTH SIDES DROPPED TO THE LOWEST LEVEL IN THE LAST SIX MONTHS. INCIDENTS IN MR-2 DECLINED. THE LARGEST NUMBER OCCURRED IN BINH DINH BUT THE MOST SIGNIFICANT ACTIVITY WAS IN PLEIKU, WHERE THE GVN TOOK THE INITIATIVE DURING THE WEEK. GROUND OPERATIONS BEGAN WEST OF PLEIKU ON JANUARY 9, AND ON JANUARY 11 VNAF BOMBED THE DUC CO AREA. LE MINH WAS REOCCUPIED BY GVN TROOPS ON JANUARY 14. IN BINH DINH THE GVN REPORTED SUCCESSFUL COMPLETION OF AN OPERATION DESIGNED TO CLOSE A MAJOR COMMUNIST RESUPPLY ROUTE FROM THE SEA. IN PHU YEN, GVN OPERATIONS LED TO AN INCREASE IN MILITARY ACTIVITY WHILE COMMUNIST-INITIATED INCIDENTS IN THE PROVINCE WERE AT A YEARLY LOW. MILITARY ACTIVITY IN MR-3 ALSO DROPPED THIS WEEK. RF UNITS IN HAU NGHIA AND TAY NINH HAVE BEEN ACTIVE AND HAVE HAD GREATER SUCCESS AGAINST THE COMMUNISTS THAN THE ARVN 25TH INFANTRY DIVISION. TAY NINH HAD THREE IMPORTANT RALLIERS. FOR THE THIRD TIME IN RECENT MONTHS VC CHECKPOINTS IN PHUOC LONG PROVINCE PERMITTED CIVILIAN COMMERCIAL TRAFFIC TO PASS ROUTE 1A  
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FROM DONG XOAI TO PHU GIAO IN BINH DUONG PROVINCE. (6, 5#3 \$3)5-, THE NUMBER OF INCIDENTS WAS UP THIS WEEK. HOWEVER, VICE CONSUL IN DINH TUONG REPORTS VC/NVA ACTIVITY AS "SUSPICIOUSLY LIGHT." THROUGHOUT THE PROVINCE THERE WERE 106 "INCIDENTS" YKO GFLY NINE WFLA GROUND ATTACKS. IN KIEN HOA THERE WERE NO GROUND ATTACKS BUT TERRORISTS INCIDENTS CONTINUED. ACTIVITY IN KIEN PHONG INCREASED; ON JANUARY 13 AND 14 CORPS HEADQUARTERS REPORTED KIEN PHONG AS THE MOST ACTIVE PROVINCE IN MR-4. AN RF BATTALION DEFEATED A COMMUNIST BATTALION, KILLING 41 WHILE SUFFERING ONLY THREE WOUNDED IN NORTHERN CANG LONG DISTRICT, VINH BINH PROVINCE. IN SOUTHERN MR-4, KIEN GIANG SAW A DROP IN COMMUNIST ACTIVITY WHILE INCIDENTS RESULTING FROM GVN ACTIVITIES REMAINED CONSTANT. THERE HAVE BEEN NUMEROUS INDICATIONS OF VC/NVA UNITS SHIFTS IN THE PROVINCE, AND PROVINCE OFFICIALS SPECULATE THAT KIEN BINH DISTRICT TOWN AND PARTS OF KIEN LUONG DISTRICT MAY BE OBJECTS OF INCREASED VC INTEREST DURING TET. A REPORT JUST RECEIVED FROM MR-4 INDICATES THE 66 KILOWATT TRANSFORMER STATION IN MY THO WAS BLOWN UP BY SABOTEURS. THE ICCS HELD A PLENARY SESSION ON JANUARY 15 CHAIRED BY POLDEL AMBASSADOR KULAGA. IRDEL AMBASSADOR SADRI IS EXPECTED TO RETURN ABOUT JANUARY 18 AND HUNGDEL AMBASSADOR LORINCZ-NAGY IS THOUGHT TO BE ARRIVING IN SAIGON ON JANUARY 21 AFTER CONSULTATION IN HANOI. DURING LONG DISCUSSION IN PLENARY OF DUC CO BOMBING,

INDODEL PROPOSED DISCUSSION OF BINH CHANH DEC 15 INCIDENT  
IN WHICH AN AMERICAN WAS KILLED WHILE ON JCRC MISSION OUT OF  
SEQUENCE IF POLDEL PUSHED TO ADVANCE DUC CO ISSUE. THE DUC  
CO MATTER WAS REFERRED BACK TO THE POLITICAL COMMITTEE WITHOUT  
ICCS ACTION IN PLENARY. NO FOUR-MEMBER INVESTIGATIONS HAVE BEEN CARR-  
IED OUT YET, DESPITE INSTRUCTIONS ISSUED BY THE MILITARY COMMITTEE  
CHAIRMAN ON DECEMBER 28. DRV AND VIET CONG MEDIA HAVE FOCUSED ON THE  
RUMORED PENDING INTRODUCTION OF  
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ACTION EA-14

INFO OCT-01 AID-20 EB-11 FSI-01 PM-07 INR-10 IO-14 L-03

NSAE-00 NSC-10 PA-04 RSC-01 DRC-01 DPW-01 PRS-01

OMB-01 SS-20 ISO-00 SSO-00 NSCE-00 INRE-00 /120 W  
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O R 161101Z JAN 74  
FM AMEMBASSY SAIGON  
TO SECSTATE WASHDC IMMEDIATE 830  
INFO AMEMBASSY BANGKOK  
AMCONSUL BIEN HOA  
AMEMBASSY BUDAPEST  
AMEMBASSY CANBERRA  
AMCONSUL CAN THO  
AMCONSUL DANANG  
AMEMBASSY JAKARTA  
AMEMBASSY LONDON  
AMEMBASSY MANILA  
AMEMBASSY MOSCOW  
AMCONSUL NHA TRANG  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY PHNOM PENH  
AMEMBASSY SEOUL  
AMEMBASSY TOKYO  
USIA WASHDC  
AMEMBASSY VIENTIANE  
AMEMBASSY WARSAW  
AMEMBASSY WELLINGTON  
USDEL JEC PARIS UNN  
CIA  
DIA  
JCS  
JUSMAAG  
WHITE HOUSE  
USAFKCMC  
CINCPAC  
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CO 7 PSYOPS GP  
CINCPACFLT  
CINCUSARPANP  
DEPCHIEF JUSMAAG UDORN  
AMEMBASSY TEHRAN  
USDAO/SAIGON

C O N F I D E N T I A L SECTION 2 OF 3 SAIGON 0683

C O R R E C T E D C O P Y (TEXT)

AT GNV INITIATIVE, ADDITIONAL MEETINGS OF THE TPJMT HAVE BEEN HELD BUT HAVE FAILED, AS YET, TO PRODUCE AN AGREEMENT PERMITTING THE RESUMPTION OF PRISONER RELEASES. AT THE JANUARY 15 SESSION, GENERAL HIEP, GVNDL CHIEF, PROPOSED THAT THE TWO SOUTH VIETNAMESE PARTIES ISSUE A NEW JOINT APPEAL ON OBSERVING THE CEASEFIRE AND CEASE CERTAIN HOSTILE ACTIVITIES (LAYING OF MINES, ETC.) AT 0001 HOURS JANUARY 18. THE COMMUNISTS REFUSED TO ACCEPT THE PROPOSALS. THERE ARE RUMORS IN THE PRESS THAT THE GVN MAY PROCEED WITH A TET HOLIDAY RELEASE OF PRISONERS ON ITS OWN.

B. CONSTITUTIONAL AMENDMENTS INTRODUCED IN NATIONAL ASSEMBLY

RUMORS THAT THE PROCESS OF AMENDING THE RVN CONSTITUTION MIGHT BE ACCELERATED WERE CONFIRMED JANUARY 15 WHEN SENATOR LE VAN DONG AND DEPUTY PHAM VAN UT INTRODUCED THREE PROPOSED AMENDMENTS INTO THE UPPER AND LOWER HOUSES. THE PROPOSED AMENDMENTS WOULD:

1. CHANGE THE SYSTEM OF ELECTING SUPREME COURT JUSTICES AS WELL AS THE SUPREME COURT ITSELF A ROLE IN NOMINATING BY FIVING THE MINISTRY OF JUSTICE JURISTS FOR ELECTION BY THE NATIONAL ASSEMBLY. (UNDER ARTICLE 80 NOW IN EFFECT, THE BAR ASSOCIATION AND ASSOCIATIONS OF JUDGES AND PROSECUTORS JOINTLY NOMINATE JUKRISTS: WHO ARE THEN ELECTED BY THE ASSEMBLY.)
2. PERMIT THE CONTINUED APPOINTMENT OF PROVINCE CHIEFS AND MAYORS DURING PRESIDENT THIEU'S SECOND TERM, I.E., UNTIL 1975. (ARTICLE 114 REQUIRES ELECTION OF PROVINCE CHIEFS DURING HIS SECOND TERM.)

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3. PERMIT A THIRD PRESIDENTIAL TERM AND EXTEND THE PRESIDENT'S TERM OF OFFICE FROM THE PRESENT FOUR TO FIVE YEARS. PRESIDENT THIEU'S CURRENT TERM OF OFFICE REMAINS FOUR YEARS. UNDER ARTICLE 52 THE PRESIDENT SERVES A FOUR-YEAR TERM AND MAY BE ELECTED ONLY ONCE.) ACCORDING TO SPONSORING SENATOR DONG AFFIRMATIVE ASSEMBLY ACTION IS EXPECTED BEFORE THE TET HOLIDAYS,

WHICH BEGIN JANUARY 21. ACCORDING TO THE SEMI-OFFICIAL SAIGON DAILY DAN CHU APPEARING PM JAN 16, THE ASSEMBLY WILL MEET IN JOINT SESSION JAN 19 TO CONSIDER THE AMENDMENTS. COMMENT: THE AMENDMENTS THEMSELVES WERE EXPECTED. HOWEVER, THE ADMINISTRATION INITIATING THE AMENDMENT PROCESS BEFORE TET HAS COUGHT MOST OBSERVERS BY SURPRISE. THERE WILL BE COMPLAINTS FROM THE OPPOSITION, BUT WE DO NOT EXPECT ANY SERIOUS DISTURBANCES, PARTICULARLY IN LIGHT OF THE COUNTRY'S PREOCCUPATION WITH TET PREPARATIONS. TRAN QUOC BUU, LEADER OF THE CVT, HAS TOLD US THAT HE WILL "NEITHER SUPPORT NOR OPPOSE" THE AMENDMENTS, THUS GIVING ADDITIONAL EVIDENCE THAT THE AMENDMENTS WILL BE APPROVED WITHOUT ANY SERIOUS RESISTANCE FROM NON-ADMINISTRATION AND OPPOSITION QUARTERS.

C. PRESIDENT THIEU BEGINS ROUND OF TET VISITS TO THE FIELD  
CONGEN DUNANG REPORTS THAT PRESIDENT THIEU ARRIVED IN QUANG NGAI PROVINCE JAN 15 WHERE HE VISITED A NUMBER OF UNITS IN THE FIELD. HE SPENT THE NIGHT IN DANANG AND IS COMPLETING HIS VISIT TO MR-1 JAN 16 WITH A TRIP TO THE TROOPS STATIONED NORTH OF THE HAI VAN PASS. THE PRESIDENTIAL VISIT, ORIGINALLY CLOSELY HELD AS USUAL FOR SECURITY REASONS, IS BEING BILLED AS THE FIRST IN A ROUND OF TET HOLIDAY VISITS TO COMBAT UNITS, THROUGHOUT THE COUNTRY.

D. AN QUANG: DISSENSION CONTINUES  
DESPITE THE NAMING OF A NEW AN QUANG HIGH SECULAR COUNCIL BY THE SUPREME PATRIARCH ON JAN 9, THE CHURCH REMAINS RIVEN BY PERSONAL FEUDS AND POLICY CONFLICTS. THE NEW COUNCIL HAS BEEN DENOUNCED BY RADICAL AND SOUTHERN ELEMENTS AS "RIGHTEST," A "TOOL OF THE GVN," AND "CORRUPTED." THERE HAVE BEEN THREATS, AS YET UNREALIZED, BY SOME SOUTHERNERS THAT THEY MIGHT FORM YET ANOTHER BUDDHIST CHURCH ORGANIZATION. THE PATRIARCH HAS RETURNED TO HUE BUT THE QUARRELING GOES ON.

E. CVT PRESIDENT BUU CANCELS FOREIGN TOUR  
VIETNAM'S MOST PROMINENT LABOR LEADER, CVT PRESIDENT TRAN QUOC BUU, HAD BEEN PLANNING TO LEAVE JAN 21 FOR JAPAN TO BEGIN A CONFIDENTIAL

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TOUR WHICH WAS ALSO TO INCLUDE VISITS TO SINGAPORE, AUSTRALIA, AND NEW ZEALAND. BUU HAS ANNOUNCED THAT HE IS CANCELLING THE TRIP. THE PRIMARY REASON PROBABLY IS RELATED TO AN INTERNAL CVT PROBLEM WHICH DEMANDS HIS ATTENTION, AND NOT, AS SOME OBSERVERS WILL SPECULATE, THE LIVELY POLITICAL SITUATION CREATED BY THE PROPOSED CONSTITUTIONAL AMENDMENTS (SEE B ABOVE).

F. GVN INSTITUTES SPECIAL TET HOLIDAY SECURITY, AUSTERITY MEASURES  
A NUMBER OF SPECIAL MEASURES HAVE BEEN ANNOUNCED BY THE PRESIDENT FOR THE TET HOLIDAY PERIOD, JAN 22-26. TROOPS ARE TO BE CONFINED TO QUARTERS (THIS AND OTHER SECURITY PRECAUTIONS WILL BE IN EFFECT UNTIL JAN 30). THE USE OF FIREWORKS OR FESTIVE LIGHTING IS PROHIBITED. THE TRADITIONAL MASSIVE EXCHANGES OF GREETING CARDS IS TO BE CURTAILED, WHILE EXCHANGES OF GIFTS BETWEEN CIVIL

SERVANTS AND IN THE MILITARY IS STRICTLY PROHIBITED. TET

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ACTION EA-14

INFO OCT-01 AID-20 EB-11 FSI-01 PM-07 INR-10 IO-14 L-03

NSAE-00 NSC-10 PA-04 RSC-01 DRC-01 DPW-01 PRS-01

OMB-01 SS-20 ISO-00 SSO-00 NSCE-00 INRE-00 /120 W

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O R 161101Z JAN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 831

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMCONSUL NHA TRANG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

CINCPAC

CINCPACAF

CONFIDENTIAL

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CO 7 PSYOPS GP

CINCPACFLT

CINCUSARPAC

DEPCHIEF JUSMAAG UDORN  
AMEMBASSY TEHRAN  
USDAO/SAIGON

C O N F I D E N T I A L SECTION 3 OF 3 SAIGON 683

THE FONMIN'S WORLD TOUR WAS LARGELY SUCCESSFUL IN ACHIEVING THE GOVERNMENT'S OBJECTIVE OF NARROWING THE WORLD-WIDE "PROGAGANDA GAP"; BETWEEN ITSELF AND THE DRV/"PRG" AND IN SELLING THE GVN'S STORY IN THE PRESS IN SOME OF THE COUNTRIES HE VISITED. IT CERTAINLY DEMONSTRATED A MARKED INCREASE IN SAIGON'S CONCERN WITH THIS LONG-NEGLECTED SUBJECT AND ITS DETERMINATION TO BEGIN DOING SOMETHING ABOUT IT.

D. MORE AUSTRALIAN ECONOMIC AID  
AS ONE OF HIS FINAL ACTS IN SAIGON, DEPARTING AUSTRALIAN AMB. COOK SIGNED WITH FONMIN KHIEM A \$15 MILLION AID AGREEMENT FOR HYDRAULIC POWER PROJECTS IN DANANG AND VUNG TAU. COOK WAS LATER RECEIVED BY PRESIDENT THIEU.

E. HANOI BLASTS TANAKA TRIP  
THE NORTH VIETNAMESE CONTINUE TO HARDEN THEIR LINE TOWARD JAPAN, PRESUMABLY OVER THE GOJ'S REFUSAL TO MEET THE DRV'S PRE-CONDITIONS TO THE ESTABLISHMENT OF DIPLOMATIC MISSIONS IN THE RESPECTIVE CAPITALS. HANOI'S LATEST SWIPE AT THE JAPANESE CAME IN A JANUARY 12 COMMENTARY IN THE PARTY NEWSPAPER, NHAN DAN, WHICH CHARGED THAT PRIME MINISTER TANAKA'S TRIP TO SOUTHEAST ASIA IS AIMED AT "EXPANDING JAPAN'S ECONOMIC INFLUENCE AND COMPETING FOR CONSUMER GOODS AND RAW MATERIALS...ESPECIALLY OIL." THE COMMENTARY NOTED WITH APPARENT GLEE THE PROTESTS STAGED AGAINST US POLITICAL AND ECONOMIC EXPANSIONISM AND "COLONIALISM" DURING TANAKA'S VISITS TO SEVERAL COUNTRIES.

F. DRV-MALTA ESTABLISH RELATIONS  
HANOI RADIO ANNOUNCED THAT THE DRV AND MALTA HAD AGREED TO ESTABLISH DIPLOMATIC RELATIONS AT THE AMBASSADORIAL LEVEL EFFECTIVE JANUARY 14.

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G. SWEDISH, CHINESE DELEGATIONS VISIT QUANG TRI  
A SWEDISH DELEGATION LED BY RIKSDAGSWOMAN BERGITTA DAHL VISITED COMMUNIST-OCCUPIED AREAS OF QUANG TRI PROVINCE JANUARY 4-7. THE DELEGATION, WHICH INCLUDED SWEDISH AMBASSADOR TO THE DRV JEAN CHRISTOPHE OBERG, REPORTEDLY MET WITH FOREIGN MINISTRY OFFICIALS OF THE SO-CALLED "PRG" AND WITH REPRESENTATIVES OF VARIOUS FRONT ORGANIZATIONS AND TOURED "MANY LOCALITIES" IN THE PROVINCE. AFTER LEAVING QUANG TRI THE DELEGATION APPARENTLY SPENT FOUR OR FIVE DAYS IN HANOI BEFORE DEPARTING FOR HOME (SEE STOCKHOLM 157 FOR AN ACCOUNT OF MRS. DAHL'S COMMENTS UPON HER RETURN TO SWEDEN). A CHINESE GROUP, REPRESENTING THE CHINA-VIETNAM FRIENDSHIP ASSOCIATION, VISITED THE COMMUNIST ENCLAVE



FROM JANUARY 9-11. THE VISITORS MADE THE SAME ROUNDS AS THEIR SWEDISH PREDECESSORS BUT WERE, IN ADDITION, FETED AT A "GRAND MEETING". THE CHINESE DELEGATION HAD BEEN TOURING NORTH VIETNAM IMMEDIATELY PRIOR TO ITS QUANG RI VISIT AND AS OF JAN. 15 WAS AGAIN IN HANOI.

#### H. COMMUNISTS CONDEMN SCHLESINGER REMARKS

COMMUNIST MEDIA REACTED SHARPLY TO WHAT THEY TERMED SECRETARY SCHLESINGER'S "INSOLENT, SLANDEROUS AND THREATENING" STATEMENT REGARDING THE POSSIBILITY OF A RESUMPTION OF US BOMBING IN VIETNAM. LINKING THE SECRETARY'S JANUARY 10 REMARKS WITH THE DECISION TO SUPPLY VNAF WITH F-5E AIRCRAFT AND PRESIDENT THIEU'S "BELL-ICOSE" SPEECHES AT CAN THO (JAN A4) AND SAIGON (JAN 9), THE COMMUNISTS CHARGED THAT THE US CONTINUED TO SUPPORT AND ENCOURAGE ALLEGED GVN VIOLATIONS OF THE CEASEFIRE. END CONFIDENTIAL BEGIN UNCLASSIFIED

### III. ECONOMIC

#### A. IMF RECOMMENDATIONS

ACTING ON RECOMMENDATIONS MADE BY THE IMF TEAM FOLLOWING THE RECENT CONSULTATIONS IN SAIGON, THE GVN INTRODUCED A UNIFIED EXCHANGE RATE SYSTEM ON JANUARY 14. THIS WAS ACCOMPLISHED BY ELIMINATING BOTH THE SPECIAL EXCHANGE RATE FOR IMPORTS FINANCED BY THE USAID COMMERCIAL IMPORT PROGRAM AND THE SPECIAL RATE FOR EXPORTS. IMPORTERS INSTEAD WILL RECEIVE A REBATE AT THE TIME THE CIP COMMODITIES (AND PL-480 COTTON AND WHEAT) CLEAR CUSTOMS. THE REBATE HAS INITIALLY BEEN SET AT 85 PIASTERS TO CONFIDENTIAL

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#### DOLLAR. CUSTOMS

DUTIES AND OTHER TAX ASSESSMENTS, INCLUDING VAT, WILL BE ASSESSED ON THE BASIS OF THE OFFICIAL EXCHANGE RATE. THE GVN ALSO SIMULTANEOUSLY INTRODUCED A NEW EXPORT SUBSIDY PROGRAM CONSISTING OF DIRECT PAYMENTS TO THE EXPORTER EQUIVALENT TO THE COST OF FINANCING THE EXPORT FOR THREE MONTHS AT AN INTEREST RATE OF 26 PERCENT PER ANNUM. THE GVN ALSO ELIMINATED THE ADVANCE DEPOSIT REQUIREMENTS FOR CIP IMPORTS. HOWEVER, SURPRISINGLY, IN VIEW OF ITS ORAL AGREEMENT WITH THE IMF, IT RETAINED THE EXCHANGE RATE GUARANTEE (THE EFFECTIVE EXCHANGE RATE J THAT IN FORCE AT THE TIME THE LETTER OF CREDIT IS OPENED). GVN OFFICIALS ARE, HOWEVER, CONSIDERING EITHER RESTORING THE ADVANCE DEPOSIT REQUIREMENT OR ELIMINATING THE EXCHANGE RATE GUARANTEE AS A MEANS TO DETER SPECULATION AGAINST THE EXCHANGE RATE, WHICH IS CERTAIN UNDER THE PRESENT SYSTEM. IN YET ANOTHER MOVE RELATED TO THE IMF RECOMMENDATIONS, THE GVN, EFFECTIVE DECEMBER 29, CONVERTED PEREQUATION TAX ASSESSMENTS ON IMPORTS FROM FLAT RATES TO AD VALOREM RATES.

#### B. PRICES

PRE-TET BUYING SPURRED A MODEST INCREASE IN SAIGON RETAIL PRICES DURING THE WEEK ENDING JANUARY 14. WITH THE LUNAR NEW

YEAR FESTIVAL A WEEK OFF, THE USAID INDEX ROSE 0.8 PERCENT, MAINLY ON THE STRENGTH OF HIGHER PRICES FOR APPAREL, FISH AND MEATS. WHILE THE MARKETPLACE IS CROWDED, MERCHANTS COMPLAIN THAT HOLIDAY SALES ARE DOWN FROM PREVIOUS YEARS. SO FAR, THE SLACK IN CONSUMER DEMAND HAS APPARENTLY DAMPENED SEASONAL PRICE RISES WHICH IN THE PAST HAVE PUSHED THE RETAIL INDEX UP 5-6 PERCENT IN THE MONTH PRIOR TO TET.

C. BLACK MARKET CURRENCY AND GOLD PRICES

FOR THE FIRST TIME SINCE LAST AUGUST, THE BLACK MARKET PREMIUM FOR GREEN DOLLARS HAS COMPLETELY DISAPPEARED. THE QUOTE ON JANUARY 14 FOR US\$ 100 GREEN WAS 560, WHICH IS THE CURRENT OFFICIAL RATE. US\$ 10 BROUGHT ONLY 550 PER DOLLAR. BLACK MARKET RATES HAVE BEEN DECLINING SINCE EARLY DECEMBER, RELATED TO THE CURRENT LIQUIDITY SQUEEZE BROUGHT ON BY BUSINESS NEEDS FOR OPERATING FUNDS AND SETTLING END-YEAR ACCOUNTS. GOLD PRICES ALSO DIPPED SLIGHTLY DURING THE WEEK, TO US\$ 102.90 PER TROY OUNCE.

D. DOMESTIC TAX RECEIPTS

THE DIRECTORATE GENERAL OF TAXATION (DGT) HAS REPORTED DECEMBER CONFIDENTIAL

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COLLECTIONS OF VN\$ 17.9 BILLION, JUST SLIGHTLY LOWER THAN THE RECORD HIGH OF VN\$ 18.0 REACHED IN SEPTEMBER 1973. TOTAL DGT COLLECTIONS FOR THE YEAR WERE VN\$ 168.4 BILLION AS COMPARED TO VN\$ 67.6 BILLION IN 1972. OTHER DOMESTIC TAX RECEIPTS COLLECTED OUTSIDE OF DGT ARE EXPECTED TO REACH AT LEAST VN\$ 21 BILLION FOR A COMBINED TOTAL OF VN\$ 189 BILLION. AFTER DISCOUNTING FOR INFLATION, THAT FIGURE REPRESENTS AN INCREASE OF 35 PER CENT OVER THE 1972 COMBINED TOTAL OF VN\$ 99 BILLION.  
MARTIN

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## Message Attributes

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**Capture Date:** 27 JUL 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ARMISTICE, PRESS COMMENTS, TREATY VIOLATION, FOREIGN RELATIONS, BOMBING, POW, ECONOMIC ASSISTANCE, POLITICAL SITUATION, CONSTITUTIONAL AMENDMENTS, COMBAT OPERATIONS, COMMUNISTS, CENTRAL LEGISLATURE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** ADS  
**Document Unique ID:** 00  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
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**Line Count:** 522  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 10  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19-Jul-2001 by boyleja>; APPROVED <12 JUL 2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EMBASSY SAIGON'S MISSION WEEKLY JANUARY 10-16 1974  
**TAGS:** PINT, PFOR, ECON, VS, XC, ICCS  
**To:** STATE INFO BANGKOK  
BIEN HOA  
BUDAPEST  
CANBERRA  
CAN THO  
DANANG

JAKARTA  
LONDON  
MANILA  
MOSCOW  
NHA TRANG  
OTTAWA  
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WELLINGTON  
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CIA  
DIA  
JCS  
JUSMAAG  
WHITE HOUSE  
USAJFKCMA  
CINCPAC  
CINCPACAF  
CO PSYOPS GP  
CINCPACFLT  
CINCUSARPAC  
DEPCHIEF JUSMAAG UDORN  
TEHRAN  
USDAO SAIGON  
**Type:** TE

**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005